

Message Text

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ACTION EUR-25

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E.O. 11652: N/A

TAGS: EAGR OECD

SUBJECT: OECD STUDY OF TRENDS IN SUPPLY AND DEMAND OF MAJOR
AGRICULTURAL COMMODITIES

DEPT PASS AGRICULTURE

REF: (A) STATE 246534; (B) USOECD 32068

1. ON US REQUEST (REF A) SECGENAT COUNCIL MEETING DECEMBER 19
PROPOSED DELAY UNTIL EARLY MEETING IN JANUARY OF DECISION
ON TERMS OF REFERENCE. COUNCIL ACCEPTED THIS WITHOUT COMMENT,
ALTHOUGH AUSTRALIAN DEL PRIVATELY EXPRESSED TO US DISAPPOINTMENT
AT DELAY. IN REVIEWING COURSES OF ACTION OPEN TO USG, MISSION
SUGGEST WEIGHT BE GIVEN TO
VIEWS OF SIMANTOV, LONG EXPERIENCED, HIGHLY RESPECTED OECD
DIRECTOR OF AGRICULTURE, WHO IS IN SYMPATHY
WITH U.S. OBJECTIVES AS STATED IN ORIGINAL PROPOSAL.

2. IN EXPLORING DISCRETION REMAINING WITH SECRETARIAT
UNDER THE PROPOSED CLAUSE, "TO IDENTIFY AND TO ASSESS
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THE MAIN FACTORS ETC." ON THE ASSUMPTION OF THE CONTINUA-

TION OF PRESENT POLICIES" (REF B), AG ATTACHE ASKED SIMANTOV WHETHER HE WOULD FEEL FREE TO ANALYZE (1) LOWER CAP PRICE LEVELSWITH LOWER PRICES TO CONSUMERS AND SUBSIDY PAYMENTS TO PRODUCERS FOR COMMODITIES OTHER THAN THOSE FOR WHICH SUCH PAYMENTS ARE NOW MADE, (2) DEMAND ELASTICITIES, AND (3) BENEFITS TO CONSUMERS AND TO FOREIGN SUPPLIERS RESULTING FROM LOWERPRICES, EXPANDED TRADE AND LARGER QUANTITIES CONSUMED. SIMANTOV REPLIED EMPHATICALLY IN THE AFFIRMATIVE. IN SHORT, WORKING ASSUMPTION OF STUDY UNDER SECGEN PROPOSAL WOULD BE CONTINUATION OF CAP, BUT THIS WOULD NOT PRECLUDE SECRETARIAT FROM CONSIDERING CHANGES, AND VARIABLE COMPONENTS WITHIN, CAP AND THEIR IMPACT UNDER VARIOUS ASSUMPTIONS. AS FURTHER EVIDENCE OF FLEXIBILITY, SIMANTOV CITED PARAS 5 AND 6 OF SECGEN PROPOSAL WHICH WOULD BE INTERPRETED BROADLY TO AUTHORIZE SECRETARIAT TO DRAW FROM COGENT ANALYSES BY EMINENT AGRICULTURAL SCHOLARS SUCH AS GALE JOHNSON AND OTHERS.

4. EC COMMISSION PERMDEL OFFICER TOLD MISSION OFFICER HE THOUGHT SECRETARIAT HAD MADE SERIOUS MISCALCULATION BY INCLUDING IN FIRST VERSION OF PROPOSAL EXPLICIT REFERENCE TO "...VARIOUS POLICY MEASURES." HE SAID FIRM POLITICAL DECISION BY NINE AGAINST SUBSTANTIAL MODIFICATION OF CAP FORCED EC TO INSIST THAT FORMAL OECD COUNCIL DECISION ON STUDY HAVE AS PREMISE "...CONTINUATION OF CURRENT POLICIES." THIS POLITICAL REQUIREMENT IN LANGUAGE OF COUNCIL DECISION SHOULD NOT, HE FELT, PREVENT ADROIT SECRETARIAT FROM PRODUCING BROAD STUDY USEFUL TO MEMBER GOVERNMENTS.

5. COUNCIL LIKELY RESUME CONSIDERATION OF THIS MATTER IN MID-JANUARY. MISSION WOULD APPRECIATE INSTRUCTIONS BY JANUARY 10.
ROGERS

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